

Message Text

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ACTION EUR-12

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PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A
TAGS: EAGR, EEC, NL
SUBJECT: POSSIBLE EC ACTIONS AGAINST NON-GRAIN FEED INGREDIENTS

REF: A) THE HAGUE 4656, B) BRUSSELS 15894

1. WE WERE CONTACTED AUGUST 25 BY RELIABLE DUTCH TRADE SOURCE
WHO GAVE US UPDATE ON NON-GRAIN FEED INGREDIENT SITUATION.
HE SAID THAT HE HAD LEARNED THAT:

-- A DRAFT REGULATION INCREASING THE LEVY ON WHEAT BY-PRODUCTS
IS READY FOR SIGNATURE AND HAS BEEN ENDORSED BY GUNDELACH.
TRADE FEELS THAT THERE IS GOOD CHANCE MEASURE WILL BE ADOPTED
AT SEPT 21 MANAGEMENT COMMITTEE MEETING SINCE U.K. IS THE ONLY
COUNTRY THAT IS EXPECTED TO PUT UP STRONG OPPOSITION. DUTCH
GOVERNMENT ALSO OPPOSED BUT IS TOO SENSITIVE TO EC PRESSURES
IN DAIRY SECTOR TO PUSH TOO HARD ON THIS ISSUE.

-- ACTION AGAINST WHEAT BY-PRODUCTS IS FIRST STEP IN QUOTE
MASTERPLAN UNQUOTE AGAINST ALL GRAIN SUBSTITUTES. THE
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PLAN CALLS FOR LEVIES ON THESE SUBSTITUTES BASED ON STARCH
CONTENT AND POSSIBLY ALSO PROTEIN. NEXT STAGE WOULD BE CORN
GLUTEN FEED, FOLLOWED BY ALFALFA PELLETS, CITRUS PULP AND
OTHERS. THE LAST ITEM TO BE BROUGHT INTO PLAN WOULD BE
TAPIOCA.

-- THE SPEED AT WHICH PLAN IS TO BE IMPLEMENTED WILL DEPEND

ON THE POLITICAL ATMOSPHERE AND PROTESTATIONS FROM EXPORTING COUNTRIES.

-- PLAN REPORTEDLY DOES NOT REPEAT NOT INCLUDE SOYBEANS/ SOYBEAN MEAL.

2. COMMENT: THE DUTCH GOVERNMENT IS NOT REPEAT NOT ABLE TO SUBSTANTIATE THE EXISTENCE OF A MASTERPLAN COVERING ALL FEED GRAIN SUBSTITUTES. REFTELS REPORTED EXISTENCE OF COMMISSION STUDY NOW IN PREPARATION WHICH WAS TO DEAL WITH BROAD ISSUE OF QUOTE FEEDSTUFF PROBLEM UNQUOTE. HOWEVER, WE FELT THAT AT LEAST FOR TIME BEING SPECIFIC ACTIONS WOULD BE CONFINED TO WHEAT BY-PRODUCTS AND PERHAPS TAPIOCA. HOWEVER, NEITHER EMBASSY NOR MINAG IS SURPRISED THAT COMMISSION IS THINKING ABOUT POSSIBLE SPECIFIC ACTIONS AGAINST THE OTHER PRODUCTS. WE AGREE WITH USEC BRUSSELS (REF B) THAT RESTRICTIVE ACTIONS AGAINST THE REMAINING ITEMS WHICH ARE GATT-BOUND PRESENT REAL COMPLICATIONS FOR THE COMMISSION. BUT WE DO NOT FEEL USG THINKING ON THIS ISSUE SHOULD ASSUME THAT ACTION AGAINST WHEAT BY-PRODUCTS IS A ONE-TIME VENTURE. WHEAT BY-PRODUCTS IS A RELATIVELY SMALL PART OF A LARGER PROBLEM AS PERCEIVED BY THE EC. SUBSEQUENT ACTIONS AGAINST THE REMAINING ELEMENTS OF THIS PROBLEM SEEM TO US INEVITABLE. OUR PREVIOUS REPORT (REF A), WHICH INTER ALIA COMMENTED ON THIS ISSUE, OMITTED ONE IMPORTANT CONSIDERATION. THE REAL CAUSE OF THE QUOTE PROBLEM UNQUOTE FOR THE EEC IS NOT LIMITED OFFICIAL USE

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THE EXISTENCE OF THESE VARIOUS FEED PRODUCTS BUT IS THE DIRECT RESULT OF THE OPERATION OF THE COMMUNITY'S GRAIN REGIME. GRAIN PRICES IN THE EC ARE SET AT ARTIFICIALLY HIGH LEVELS. THIS CAUSES FEED COMPOUNDERS TO SEEK ALTERNATIVE RAW MATERIAL INPUTS TO MAINTAIN A REASONABLY PRICED FEED RATION. THUS, IF THE EC CONSIDERS THE FEEDSTUFF SITUATION A MONSTER, IT HAS ONLY ITSELF TO BLAME FOR ITS CREATION. WE THINK USG REPRESENTATION ON THIS ISSUE SHOULD TAKE THIS INTO CONSIDERATION.

JOSEPH

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